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December 22, 1949.

Marion B. Folsom, Esq.,
Director, Research and Policy Subcommittee,
The Committee for Economic Development,
343 State Street,
Rochester, N. Y.

My dear Mr. Folsom:

I read with interest the studies and recommendations of your Committee, and particularly your conclusion that "security measures uncurbed by the requirements of freedom can undermine our free institutions".

I am interested in a case in point. A group of American companies is controlled by the Hartford National Bank and Trust Company which owns their stock as trustee. Of the stockholders, 86% are Dutch nationals, 2% are British, 4% are French, the remaining 8% holder being the General Electric Corporation. The companies were created here at the suggestion of the American Government during World War II to partake in American military production, which they did. Their directors and personnel are almost exclusively American, the one or two exceptions being Netherlands nationals, one of whom is in process of naturalization. They were considered "secure" for the most secret kind of work and production during World War II and to and through 1947.

Then, without previous notice, first unofficially and eventually officially, the statement was made, in this case through the Navy, that the companies were considered "insecure". So-called classified contracts were cut off, then unclassified contracts were interfered with; a word of mouth campaign was initiated interfering even with ordinary commercial operation.

Prompt request was made for a hearing and an opportunity to answer or meet any accusations. The request was ignored, a statement being made merely that the decision was a "matter of policy". The "policy" was finally stated to be that in the interests of "security" it was deemed undesirable to classify as "secure" any organization not originally "spawned in this country", and this was accompanied by a statement that such a ruling constituted no "reflection on any of the companies".

After seven months of negotiation, it was conceded that an appeal might lie to the Industrial Employment Review Board. Further months have passed and as yet even a date on the calendar of that Board has not been set. The rules of the Board itself, only recently promulgated, suggest that the Board exercise uncontrolled discretion in establishing criteria of "security".

Through the ability of any of the armed services to impose a veto, these or any other companies may be prevented from participating in any contracts not

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only with the armed services, but also with the Atomic Energy Commission or the work done under the Industrial Mobilization Board or, in fact, any work done in connection with or under the framework of any national plan. Expenditures for defense and in allied fields constitute a controlling ~~monopolizing~~ influence in a market aggregating several billion dollars per year, and almost completely dominate the market in certain industries, notably electronics. Policies of discrimination masked by "security" can literally make or break whole lines of industry at the unreviewed will of officials acting in secret. In the case I have in mind, this appears to be the fact, although many men in this group of companies risked,--and some lost, too,--their lives in the services of the United States in World War II; and the work of these companies is being actively used by the United States Government today.

This and allied situations clearly underline the danger your Subcommittee pointed out. If you are interested in cases, I should be glad to supply, so far as proper, the facts in connection with this one. The right to function in our market should not be cut off from any company on suspicion or anonymous charge, any more than an individual's job should be taken away from him by like process. I hope your Committee can induce the Department of Defense, the Munitions Board and the Industrial Employment Review Board to clear up these situations so that facts may be met with fact.

Very truly yours,

A. A. Berle, Jr.